State of Washington

## HOUSE BILL 3164

By Representatives Murray, Ericksen, Wallace, Jarrett, Sommers, Rockefeller, Woods, Ruderman, Hatfield, Morris, Cooper, G. Simpson and Hankins

58th Legislature

2004 Regular Session

Read first time 02/02/2004. Referred to Committee on Transportation.

- AN ACT Relating to transportation innovative partnerships; and adding a new chapter to Title 47 RCW.
- 3 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:
- NEW SECTION. Sec. 1. LEGISLATIVE FINDINGS AND INTENT. 4 The 5 legislature finds that the public-private initiatives act created under chapter 47.46 RCW has not met the needs and expectations of the public 6 7 or private sectors for the development of transportation projects. 8 legislature intends to phase out chapter 47.46 RCW coincident with the 9 completion of the Tacoma Narrows Bridge - SR 16 public-private 10 partnership. From the effective date of this act, this chapter will 11 provide a more desirable and effective approach to developing 12 transportation projects in partnership with the private sector by 13 applying lessons learned from other states and from this state's ten-14 year experience with chapter 47.46 RCW.
- NEW SECTION. Sec. 2. DEFINITIONS. The definitions in this section apply throughout this chapter.
- 17 (1) "Local government" means a political subdivision of the state,

p. 1 HB 3164

1 including regional transportation organizations as defined in this 2 section.

- (2) "Private sector partner" and "private partner" means a person, entity, or organization that is not the federal government, a state, or a political subdivision of a state.
- (3) "Public funds" means money originally derived from taxes or fees imposed generally. This does not include revenues derived from specific operation of a transportation project, such as user fees, lease revenues, development rights, highway tolls, etc.
- (4) "Public sector approval authority" means the transportation commission for the state, the district administrator for the federal highway administration, the county executive for counties where applicable, and the legislative authority such as a council, board, or commission for local governments.
- (5) "Public sector partner" and "public partner" means a federal or state transportation-related agency, local government, regional transportation organization, or any other political subdivision of the state.
- (6) "Regional transportation organization" means a metropolitan transportation organization, regional transportation planning organization, regional transportation investment district, transportation benefit district, regional transit authority, public transportation benefit district, transit agency, or city transportation authority.
- (7) "Transportation projects" means a project, whether capital or operating, where the primary purpose of the project is to facilitate the transport of people or goods via any mode of travel. However, this does not include projects that are primarily for recreational purposes, such as parks, hiking trails, off-road vehicle trails, etc.
- NEW SECTION. Sec. **3.** CREATING TRANSPORTATION INNOVATIVE PARTNERSHIPS. The Transportation Innovative Partnerships Act is created for the planning, acquisition, financing, development, design, construction, reconstruction, replacement, improvement, maintenance, preservation, management, repair, and operation of transportation projects. The goals of this chapter are to:
  - (1) Reduce the cost of transportation project delivery;
  - (2) Recover transportation investment costs;

- 1 (3) Develop an expedited project delivery process;
  - (4) Encourage business investment in public infrastructure;
- 3 (5) Use bonded indebtedness and lines of credit outside the state 4 treasury, where financially advantageous and in the public interest;
  - (6) Maximize innovation; and

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- 6 (7) Develop partnerships between private entities and units of government.
- NEW SECTION. Sec. 4. JOINT AGREEMENTS WITH OTHER GOVERNMENTAL ENTITIES. Public sector partners may, either separately or in combination with any other public sector partner, enter into working agreements, coordination agreements, or similar implementation agreements to carry out the joint implementation of a transportation project selected under this chapter.
- NEW SECTION. Sec. 5. ELIGIBLE PROJECTS. Projects eligible for development under this chapter include any transportation project as defined in this chapter, including development of facilities, structures, operations, properties, vehicles, vessels, or the like that are necessary to provide revenues in support of financing a transportation project. The provisions of this chapter are available to all units of government within the state of Washington.
- 21 NEW SECTION. Sec. 6. FINANCING MECHANISMS AS PART OF PROPOSAL. 22 Public sector partners may, in connection with the evaluation of concepts or proposals for transportation projects, consider any 23 24 financing mechanisms, either together with a transportation project proposal or as a separate, stand-alone proposal to finance a project. 25 The public partner may consider sources identified under section 24 of 26 27 this act or any other lawful source. Financing may be considered for 28 all or part of a proposed project.
- NEW SECTION. Sec. 7. REVIEW, EVALUATION, AND SELECTION OF POTENTIAL PROJECTS. To carry out the purposes of this chapter, a public partner may:
- 32 (1) Solicit concepts or proposals for transportation projects from 33 private entities and units of government;

p. 3 HB 3164

1 (2) Accept unsolicited concepts or proposals for transportation 2 projects from private entities and units of government;

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- (3) Evaluate projects already programmed or identified for traditional development and financing by a unit of government; and
- (4) Evaluate the concepts or proposals received under this section and select potential projects based on the concepts or proposals. The evaluation under this subsection must include consultation with any appropriate unit of government.

9 NEW SECTION. Sec. 8. ADMINISTRATIVE FEE AUTHORIZED--HONORARIA
10 PROHIBITED. A public sector partner may charge an administrative fee
11 for the evaluation of a project proposal in an amount determined by the
12 public partner, reasonably calculated to offset any costs incurred that
13 are not otherwise funded through governmental budget appropriations.
14 The public partner may not provide an honorarium to a project proponent
15 without prior approval from the public sector's approval authority.

NEW SECTION. Sec. 9. AUTHORIZATION TO SPEND FUNDS FOR EVALUATION AND NEGOTIATION OF PROPOSALS. A public sector partner may spend, out of any funds available for the purpose, such moneys as may be necessary for the evaluation of concepts or proposals for transportation projects and for negotiating agreements for transportation projects authorized by this chapter. The public sector partner may employ engineers, consultants, or other experts the public partner determines are needed for the purposes of doing the evaluation and negotiation. incurred by the public partner under this section before the issuance of transportation project revenue bonds or other financing must be paid by the public partner and charged to the appropriate transportation The public partner shall keep records and accounts showing each amount so charged. Upon the sale of transportation project revenue bonds or upon obtaining other financing for a transportation project, the funds spent by the public partner under this section in connection with the project must be repaid to the public partner from the proceeds of the bonds or other financing, as allowed by law.

NEW SECTION. Sec. 10. PUBLIC PARTNER MAY NEGOTIATE TENTATIVE AGREEMENTS. After an evaluation by the public sector partner of concepts or proposals submitted or reviewed under section 7 of this

- 1 act, and the selection of potential transportation projects, the public
- 2 partner may negotiate and enter into tentative agreements described in
- 3 section . . . of this act for implementing the selected transportation
- 4 projects.

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- 5 <u>NEW SECTION.</u> **Sec. 11.** RESTRICTIONS ON PUBLIC DISCLOSURE. Except 6 as provided in subsection (2) of this section:
  - (1) Information related to a transportation project proposed under this chapter, including but not limited to the project's design, management, financing and other details, is exempt from disclosure under chapter 42.17 RCW until:
  - (a) The public partner shares the information with another unit of local government, metropolitan planning organization, regional transportation organization, or transportation commission; or
  - (b) The public partner completes its evaluation of the proposed project and has selected the proposal for negotiation of a tentative agreement.
  - (2) After the public partner has either shared the information described in subsection (1) of this section with a local government, metropolitan planning organization, or regional transportation organization, or has completed its evaluation of the proposed project, the information is subject to disclosure under chapter 42.17 RCW.
  - (3) Sensitive business, commercial, or financial information that is not customarily provided to business competitors that is submitted to the public partner in connection with a transportation project under sections . . . through . . . of this act is exempt from disclosure under chapter 42.17 RCW until the information is submitted to the public partner's approval authority in connection with its review and approval of the transportation project as provided in section 20 of this act.
- NEW SECTION. Sec. 12. APPOINTMENT OF SPECIAL LEGAL COUNSEL. (1)
  For proposed transportation projects and at the request of the public
  sector partner, the attorney general, county prosecutor, city attorney,
  or chief counsel for the regional transportation organization may
  appoint special legal counsel for the purpose of evaluating partnership
  agreements entered into or to be entered into under this chapter. The

p. 5 HB 3164

special legal counsel is under the direction and control of the public sector partner and may:

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- (a) Advise the public partner concerning the legality of specific proposed partnerships;
  - (b) Advise the public partner on legal procedures and practices related to implementation of specific projects that use a partnership;
- (c) Assist the public partner in negotiating partnership agreements;
- 9 (d) Assist the public partner in preparing any document related to a specific partnership;
- 11 (e) Advise the public partner regarding accounting, investment, and 12 tax requirements applicable to specific projects that use a 13 partnership; and
- 14 (f) Advise the public partner regarding any relevant federal 15 securities or other laws and related disclosure requirements.
  - (2) When the attorney general, county prosecutor, city attorney, or chief legal counsel for the regional transportation organization reviews an agreement entered into under this chapter, the attorney shall:
- 20 (a) Recognize that the agreement is the product of a partnership; 21 and
- (b) Defer to the business judgment of the public sector partner and the public approval authority concerning the assignment of risks and the incentives provided within the agreement.
- NEW SECTION. Sec. 13. ENVIRONMENTAL, ENGINEERING, AND TECHNICAL STUDIES CONTRACTED. Notwithstanding any other provision of law, the public sector may contract with a private developer of a selected project proposal to conduct environmental impact studies and engineering and technical studies funded by the legislature.
- 30 NEW SECTION. Sec. 14. REQUIRED TERMS OF PARTNERSHIP AGREEMENTS.
- 31 The following provisions are mandatory in any agreement to which the 32 public sector is a party:
- 33 (1) The plans and specifications for each project constructed under 34 this chapter must comply with the state department of transportation's 35 standards for state projects, or the local government's standards for 36 local government projects; and

(2) For any project that reverts to public ownership, agreements must address responsibility for reconstruction or renovations that are required in order for a facility to meet all applicable government standards upon reversion of the facility to the state or local government.

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- NEW SECTION. Sec. 15. ELEMENTS SUBJECT TO NEGOTIATION IN A
  PARTNERSHIP AGREEMENT. (1) As part of the program established under
  this chapter, the public sector partner may:
  - (a) Enter into any agreement or any configuration of agreements relating to transportation projects with any private entity or unit of government or any configuration of private entities and units of government. The subject of agreements entered into under this section may include, but need not be limited to, planning, acquisition, financing, development, design, construction, reconstruction, replacement, improvement, preservation, maintenance, management, repair, and operation of transportation projects;
  - (b) Include in any agreement entered into under this section any financing mechanisms, including but not limited to sources identified under section 24 of this act or any other lawful source.
  - (2) The agreements among the public and private sector partners entered into under this section must specify at least the following:
  - (a) The point in the transportation project at which public and private sector partners will enter the project and which partners will assume responsibility for specific project elements;
  - (b) How the partners will share management of the risks of the project;
- 27 (c) How the partners will share the costs of development of the 28 project;
- 29 (d) How the partners will allocate financial responsibility for 30 cost overruns;
  - (e) The penalties for nonperformance;
  - (f) The incentives for performance;
- 33 (g) The accounting and auditing standards to be used to evaluate 34 work on the project; and
- 35 (h) Whether the project is consistent with any applicable state 36 transportation plans, and any applicable regional transportation plans 37 or local transportation or land use plans or programs.

p. 7 HB 3164

- 1 NEW SECTION. Sec. 16. PUBLIC INVOLVEMENT AND PARTICIPATION PLAN.
- 2 (1) Before final approval, agreements entered into under this chapter
- 3 must include a process that provides for public involvement and
- 4 participation with respect to the development of the projects. For
- 5 state projects, the plan must be submitted to the transportation
- 6 commission for approval. For other regional or local government
- 7 projects, the plan must be submitted to the appropriate executive or
- 8 legislative authority for approval.
- 9 (2) All workshops, forums, open houses, meetings, public hearings,
- 10 or similar public gatherings must be administered and attended by
- 11 representatives of public sector partners to an agreement authorized by
- 12 this chapter.
- 13 NEW SECTION. Sec. 17. LIMITED APPLICATION OF PREVAILING WAGE LAW.
- 14 Chapter 39.12 RCW does not apply to concepts or proposals submitted
- 15 under this chapter, or to agreements entered into under this chapter,
- 16 except that if public moneys are used to pay any costs of construction
- of public works that are part of a project, chapter 39.12 RCW applies
- 18 to the public works. In addition, if public moneys are used to pay any
- 19 costs of construction of public works that are part of a project, the
- 20 construction contract for the public works must contain provisions that
- 21 require the payment of workers under the contract in accordance with
- 22 chapter 39.12 RCW.
- 23 NEW SECTION. Sec. 18. CONFORMITY WITH FEDERAL LAWS.
- 24 Notwithstanding any provision of this chapter, applicable federal laws,
- 25 rules, and regulations govern in any situation that involves federal
- 26 funds if the federal laws, rules, or regulations:
- 27 (1) Conflict with any provision of this chapter;
- 28 (2) Require procedures that are additional to or different from
- 29 those provided in this chapter; or
- 30 (3) Require contract provisions not authorized in this chapter.
- 31 <u>NEW SECTION.</u> **Sec. 19.** COMPETITIVE BID--FINANCIAL PRO FORMA
- 32 REQUIRED. Before presenting an agreement for approval under section 20
- 33 of this act, the public sector partner must:
- 34 (1) Consider whether further cost savings can be achieved by
- 35 competitively bidding all or several portions of the transportation

- proposal. The public partner must conduct an analysis of the impacts of competitively bidding all or part of the transportation proposal, and submit its analysis, findings, and recommendations to the public sector approval authority before entering into a final agreement;
- (2) Consider whether to implement procedures to promote competition among subcontractors for any subcontracts to be let in connection with the transportation project. As part of its request for approval of the agreement, the public sector partner shall report in writing to the applicable approval authority its conclusions regarding the appropriateness of implementing the procedures; and
- (3) Prepare a financial analysis that fully discloses all project costs, direct and indirect, including costs of any public, private, or other alternative financing. If a proposal will be financed in whole or in part with private sources or alternative sources, a comparative analysis of the costs of public financing versus private or alternative financing must be prepared and presented to the appropriate approval authority.
- 18 <u>NEW SECTION.</u> **Sec. 20.** APPROVAL REQUIRED TO EXECUTE CONTRACTS.
- 19 (1) The public sector partner may not enter into an agreement under 20 this chapter until the agreement is reviewed and approved by the 21 transportation commission for state projects, or the highest executive 22 or legislative authority for local government projects.
  - (2) The public sector partner may not approve an agreement under this chapter for the construction of a public improvement as part of a transportation project unless the agreement provides for bonding, financial guarantees, deposits, or the posting of other security to secure the payment of laborers, subcontractors, and suppliers who perform work or provide materials as part of the project.
- 29 <u>NEW SECTION.</u> **Sec. 21.** DISCLOSURE OF BUSINESS SECRETS RESTRICTED.
- 30 (1) Except as provided in subsection (2) of this section, documents,
- 31 communications, and information developed, exchanged, or compiled in
- 32 the course of negotiating an agreement with potential partners to an
- 33 agreement under this chapter are exempt from disclosure under chapter
- 34 42.17 RCW.

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35 (2) The documents, communications, or information described in 36 subsection (1) of this section are subject to disclosure under chapter

p. 9 HB 3164

42.17 RCW when the documents, communications, or information are submitted to the appropriate approval authority in connection with its review and approval of a transportation project under section 20 of

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this act.

- 5 (3) The terms of a final agreement entered into under this chapter 6 and the terms of a proposed agreement presented to the public sector 7 approval authority for review and approval under section 20 of this act 8 are subject to disclosure under chapter 42.17 RCW.
- 9 <u>NEW SECTION.</u> **Sec. 22.** EMINENT DOMAIN. A public sector partner 10 may exercise the power of eminent domain to acquire property, rights of way, or other rights in property for transportation projects that are 12 necessary to implement a project developed under this chapter, 13 regardless of whether the property will be owned in fee simple by the 14 public entity.
- NEW SECTION. Sec. 23. CREATION OF TRANSPORTATION INNOVATIVE
  PARTNERSHIP ACCOUNT. (1) The transportation innovative partnership
  account is established separate and distinct from the state general
  fund. Interest earned by the transportation innovative partnership
  account must be credited to the account.
- 20 (2) The following moneys must be deposited into the transportation 21 innovative partnership account:
  - (a) Proceeds from bonds or other financing instruments issued under section 28 of this act;
  - (b) Revenues received from any transportation project developed under this chapter; and
  - (c) Any other moneys that are by donation, grant, contract, law, or other means transferred, allocated, or appropriated to the account.
  - (3) Moneys in the transportation innovative partnership account must be made available to the public partner by the state treasurer upon presentation of an ordinance, resolution, chapter law, or other duly enacted legal document evidencing the intent of the public sector approval authority to appropriate funds to a project developed under this chapter.
- 34 (4) The state treasurer shall serve as a fiduciary for the purpose 35 of carrying out this chapter and implementing all or portions of any 36 transportation project financed under this chapter.

(5) Moneys in the transportation innovative partnership account that were derived from revenue subject to Article II, section 40 (Amendment 18) of the Washington state Constitution, may be used only for purposes authorized by that provision of the state Constitution.

- (6) The state treasurer shall establish separate subaccounts within the transportation innovative partnership account for each transportation project that is initiated under this chapter. Except as provided in subsection (5) of this section, a public sector partner may pledge moneys in the transportation innovative partnership account to secure revenue bonds or any other debt obligations relating to the transportation project for which the account is established.
- (7) Moneys in a subaccount established under subsection (6) of this section must be used as provided in any agreement applicable to the transportation project for which the subaccount is established.
- NEW SECTION. Sec. 24. TYPES OF FINANCING AVAILABLE. (1) A transportation project may be financed in whole or in part with:
  - (a) The proceeds of grant anticipation revenue bonds authorized by 23 U.S.C. Sec. 122 and applicable state law. Legislative authorization and appropriation is required in order to use this source of financing;
  - (b) Grants, loans, loan guarantees, lines of credit, revolving lines of credit, or other financing arrangements available under the Transportation Infrastructure Finance and Innovation Act under 23 U.S.C. Sec. 181 et seq., or any other applicable federal law;
  - (c) Infrastructure loans or assistance from the state infrastructure bank established by RCW 82.44.195;
  - (d) Federal, state, or local revenues, subject to appropriation by the applicable legislative authority;
  - (e) User fees, tolls, fares, lease proceeds, rents, gross or net receipts from sales, proceeds from the sale of development rights, franchise fees, rents, or any other lawful form of consideration.
  - (2) As security for the payment of financing described in this section, the revenues from the project may be pledged, but no such pledge of revenues constitutes in any manner or to any extent a general obligation of the state. Any financing described in this section may be structured on a senior, parity, or subordinate basis to any other financing.

p. 11 HB 3164

NEW SECTION. Sec. 25. USE OF FEDERAL FUNDS AND SIMILAR SOURCES OF REVENUE. A public sector partner may accept from the United States or any of its agencies such funds as are available to this state or to the unit of government for carrying out the purposes of this chapter, whether the funds are made available by grant, loan, or other financing arrangement. The public sector partner may enter into such agreements and other arrangements with the United States or any of its agencies as may be necessary, proper, and convenient for carrying out the purposes of this chapter, subject to section 24(2) of this act.

NEW SECTION. Sec. 26. OTHER SOURCES OF VALUABLE CONSIDERATION AUTHORIZED. A public sector partner may accept from any source any grant, donation, gift, or other form of conveyance of land, money, other real or personal property, or other valuable thing made to the state of Washington, the department, or a local government for carrying out the purposes of this chapter.

Any transportation project may be financed in whole or in part by contribution of any funds or property made by any private entity or public sector partner that is a party to any agreement entered into under this chapter.

- NEW SECTION. Sec. 27. USE OF TRANSPORTATION INNOVATIVE PARTNERSHIP ACCOUNT. (1) The public sector partner may use moneys in the transportation innovative partnership account to ensure the repayment of loan guarantees or extensions of credit made to or on behalf of private entities engaged in the planning, acquisition, financing, development, design, construction, reconstruction, replacement, improvement, maintenance, preservation, management, repair, or operation of any transportation project that is part of the program established under this chapter.
- (2) The lien of a pledge made under this section is subordinate to the lien of a pledge securing bonds payable from moneys in the motor vehicle fund established in RCW 46.68.070, or the transportation innovative partnership account established in section 23 of this act.
- NEW SECTION. Sec. 28. AUTHORITY TO ISSUE REVENUE BONDS AND OTHER INDENTURES. (1) In addition to any authority the public sector partner has to issue and sell bonds and other similar obligations, this section

establishes continuing authority for the issuance and sale of bonds and 1 2 other similar obligations in a manner consistent with this section. To finance a transportation project in whole or in part, the public sector 3 partner may request that the state treasurer issue revenue bonds on 4 5 behalf of the public sector partner. The bonds must be secured by a pledge of, and a lien on, and be payable only from moneys in the 6 7 transportation innovative partnership account established in section 23 of this act, and any other revenues specifically pledged to repayment 8 9 of the bonds. Such a pledge by the public partner creates a lien that is valid and binding from the time the pledge is made. Revenue bonds 10 issued under this section are not general obligations of the state or 11 local government and are not secured by or payable from any funds or 12 13 assets of the public partner other than the moneys and revenues specifically pledged to the repayment of such revenue bonds. 14

(2) Moneys received from the issuance of revenue bonds or other debt obligations, including any investment earnings thereon, may be spent:

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- (a) For the purpose of financing the costs of the transportation project for which the bonds are issued;
- 20 (b) To pay the costs and other administrative expenses of the 21 bonds;
  - (c) To pay the costs of credit enhancement or to fund any reserves determined to be necessary or advantageous in connection with the revenue bonds; and
- 25 (d) To reimburse the public sector partners for any costs related 26 to carrying out the purposes of the program established under this 27 chapter.
- NEW SECTION. Sec. 29. ADVISORY COMMITTEES REQUIRED FOR LARGE PROJECTS. For projects with costs, including financing costs, of fifty million dollars or greater, advisory committees are required.
  - (1) A public sector partner that participates in a transportation project must establish an advisory committee to advise with respect to transportation projects. An advisory committee must consist of not fewer than five and not more than nine members, as determined by the public partner. Members must be appointed by the public partner, or for projects with joint public sector participation, in a manner agreed to by the state and any participating unit of government.

p. 13 HB 3164

- 1 (2) An advisory committee shall review concepts or proposals for 2 transportation projects and submit recommendations to the public sector 3 partners.
- 4 (3) An advisory committee shall meet as necessary at times and 5 places fixed by the public sector partner, but not less than twice per 6 year. The public sector partner shall provide personnel services to 7 assist the advisory committee within the limits of available funds. An 8 advisory committee may adopt rules to govern its proceedings and may 9 select officers.
- NEW SECTION. Sec. 30. Section captions used in this act are not part of the law.
- NEW SECTION. Sec. 31. Sections 1 through 30 of this act constitute a new chapter in Title 47 RCW.

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